



BL O/087/04

26 March 2004

PATENTS ACT 1977

APPLICANT EventsMarket Pty Ltd

ISSUE Whether patent application GB 0202537.7
complies with Section 1(2)

HEARING OFFICER A C Howard

DECISION

Introduction

- 1 International patent application number PCT/AU00/00811, titled 'A transaction system', was filed on 5 July 2000 in the name of EventsMarket Pty Ltd. The application was published by WIPO as WO 01/03048 A1 on 11 January 2001.
- 2 The Australian Patent Office acted as both the International Search Authority and the International Preliminary Examination Authority. In the International Search Report, two documents were cited for novelty/inventive step but the subsequent International Preliminary Examination Report raised no objections to the application.
- 3 The application entered the national phase and was republished as GB 2368946A on 15 May 2002.
- 4 The UK examiner issued an examination report under section 18(3) on 26 March 2003, in which he reported that the application was excluded from patentability under Section 1(2)(c) as a method for doing business. In addition, the examiner raised a novelty objection on the basis of documents found during the search update on the application.
- 5 The applicant responded to the first examination report with amendments to the claims and observations. The examiner was satisfied that the amended claims were novel and inventive but in a subsequent report he maintained the patentability objection, reporting that the amended claims related to a method for doing business or to a computer program.
- 6 In response to the second examination report, the applicant submitted further observations relating to the issue of patentability and additional amendments to the claims. The examiner was not persuaded by these observations and amendments, and

issued a third examination report restating the Section 1(2) objection. An offer of a hearing was also made in this report.

- 7 The applicant responded with further observations and requested a hearing if these did not convince the examiner that the application was allowable. After consideration of the observations by the examiner, a hearing was appointed.
- 8 On 15 March 2004, shortly before date appointed for the hearing, a new set of claims was filed. In the accompanying letter it was requested that these should be considered as a possible alternative to those currently on file.
- 9 The matter came before me at a hearing on 18 March 2004, at which Mr Stephen Haley of Gill Jennings & Every appeared for the applicant, accompanied by the inventor, Mr Steven Michener.

The application

- 10 In summary, the application relates to a computer-based transaction system for event coupons, which communicates with users over a computer network. The computer system includes software to allow it to function as a web server to display web pages to users. The web pages are created by a transaction engine which can access data stored in a database and receive data from the network. The database typically stores information about users of the system, for example personal and account information. The transaction system is used in the context of online betting. However, the form of this betting is different from prior art betting: instead of betting against a bookmaker, coupons are used to place “bets” via the system. A coupon is the basic trading unit of the transaction system - a coupon has a set value if an event occurs, and no value if the event does not occur. The coupons are bought and sold through the transaction system at a price determined by supply and demand. The price of a coupon is thus analogous to the odds on a bet.
- 11 In use, the transaction system operates as follows. A user of the system requests to buy a coupon at a particular price, the price being selected by the user. The transaction system displays this request to other users via a web page, and another user may choose to sell coupons at the selected price; equally, the system may display details of coupons for sale. Users must be registered with the system and have provided payment details, and the operator of the transaction system charges a commission on each coupon trade that occurs.
- 12 There is currently one independent claim in the application. It reads:

“A transaction system, including:
a web server arranged to, in use, communicate data between parties and said transaction system, said data representing transactions for generating and trading event coupons, said coupons having a predetermined value if an event occurs and no value if said event does not occur;
a database system arranged to maintain, in use, account data for said parties, said account data representing a first account of a first party, a second account

of a second party, and coupons held by said parties; and
a transaction engine comprising:
means for receiving and causing communication of an order from the first party
for a coupon at a price less than said predetermined value;
means for receiving an acceptance of said order from the second party;
means, responsive to said acceptance, for generating said coupon for the first
party, decreasing the first account of the first party by said price, and decreasing
the second account of the second party by said predetermined value less than
said price; and
means for processing transactions between said parties to allow transfer of
generated coupons between said parties at prices less than said predetermined
value.”

- 13 There are also a number of dependent claims which introduce further features of the system.

The law

- 14 The examiner has maintained that the application is excluded from patentability under Section 1(2) of the act, in particular as a method for doing business or as a computer program under Section 1(2)(c). The relevant parts of this section read:

“1(2) It is hereby declared that the following (among other things) are not inventions for the purposes of this Act, that is to say, anything which consists of -
(a)
(b)
(c) a scheme, rule or method for performing a mental act, playing a game or doing business, or a program for a computer;
(d)
but the foregoing provision shall prevent anything from being treated as an invention for the purposes of this Act only to the extent that a patent or application for a patent relates to that thing as such.”

- 15 These provisions are designated in Section 130(7) as being so framed as to have, as nearly as practicable, the same effect as Article 52 of the European Patent Convention, to which they correspond. The decisions of the EPO Boards of Appeal that relate to this Article are therefore also pertinent.

- 16 The principles to be applied when considering inventions relating to an excluded field are set out in *Fujitsu Limited's Application* [1997] RPC 608 wherein at page 614 Aldous LJ said:

"...it is and always has been a principle of patent law that mere discoveries or ideas are not patentable, but those discoveries and ideas which have a technical aspect or make a technical contribution are. Thus the concept that what is needed to make an excluded thing patentable is a technical contribution is not surprising. That was the basis for the decision of the Board in *Vicom*. It has been accepted by this Court and the EPO and has been applied since 1987. It is a concept at the

heart of patent law."

17 In other words, inventions relating to an excluded field which involve a technical contribution will not be considered to related to the excluded matter as such. The practice of the Patent Office in this regard is set out in the practice notice issued on 24 April 2002 and entitled "Patents Act 1977: interpreting section 1(2)".

18 In assessing any alleged technical contribution it is clear that it is the substance of the claim rather than its particular form that is important. Accordingly, it is not possible to render patentable an inherently unpatentable method merely through the specification of technical means. Thus, when the Court of Appeal came to consider *Merrill Lynch's Application* [1989] RPC 561, Fox LJ said at page 569:

"..... it seems to me to be clear, for the reasons indicated by Dillon LJ, that it cannot be permissible to patent an item excluded by Section 1(2) under the guise of an article which contains that item - that is to say, in the case of a computer program, the patenting of a conventional computer containing that program. Something further is necessary. The nature of that addition is, I think, to be found in the *Vicom* case where it is stated: "Decisive is what technical contribution the invention makes to the known art". There must, I think, be some technical advance on the prior art in the form of a new result (eg, a substantial increase in processing speed as in *Vicom*)."

19 In *Gale's Application* [1991] RPC 305 at p 315 Aldous J said:

"..... I conclude that the first task of the court is to construe the claim, as that is where the invention is defined. If the claim properly construed is drafted so as to relate to any of the matters disqualified by section 1(2) then the invention is not patentable. If however, the claim is drafted to a process or technique or product and the basis of such process or technique or product is a disqualified matter, the court should go on to consider whether the claimed invention is in fact no more than a claim to an invention for a disqualified matter. It is a question of fact to be decided in each case, but if the claimed invention is more than a claim to an invention for a disqualified matter then it qualifies as a patentable invention.

In deciding that question of fact it is always important to consider whether the claimed invention is part of a process which is to be used in providing a technical result. If it is, then the claim cannot be said to be an invention relating to no more than one of the disqualified matters. Similarly, where a claim is directed to a product, it is important to consider whether the product claimed is a new technical product or merely an ordinary product programmed in a different way as in the latter case the claim is in reality to the program and therefore could not relate to a patentable invention."

20 I should mention here that Mr Haley suggested in his letter dated 24 December 2004 that *Gale* at least has been superseded following the decisions of the EPO Technical Board of Appeal decisions *IBM/Computer program product II* (T 935/97, [1999] RPC 861) and *IBM/Computer program product* (T 1173/97, [2000] EPOR 219). These related to the treatment of claims to programs for computers where the program when

run on a computer would provide a technical effect. The Board considered that such claims should be allowable because the program has the potential to produce a patentable technical contribution, and that it should make no difference whether a program was claimed by itself or as a record on a carrier.

21 The practice of the Patent Office in respect of claims to computer programs did indeed change following the two IBM decisions referred to above. However, this was a question of the approach to claims *drafted* so as to relate to disqualified matter (specifically, a computer program). I see nothing in those decisions to suggest that the approach set out in *Gale* is no longer the correct one to take when assessing the patentability of claims which are drafted so as to relate to a process technique or product, the basis of which is a disqualified matter. I therefore consider it appropriate to proceed by asking the following questions:

- Does the system claimed have as its basis one of the categories of excluded matter mentioned in Section 1(2) of the Act? If the answer is “yes”,
- Does the invention make a technical contribution such that it cannot be said to amount to excluded matter as such?

22 If the answer to the second question is “no” the invention is not patentable under Section 1(2).

Argument

23 The essence of the invention is a transaction system involving trading of “coupons” which take either a predetermined value, or no value, depending on the outcome of some event. The system as described is used in the context of online betting, although the field of possible application is broader than this. Concerning what is claimed, there are technical features specified, including a web server, a database system and various means for carrying out processes, but these are all characterised by their functions in relation to the nature of the coupons and the manner in which transactions involving the coupons are carried out. These processes are by their nature business rather than technical processes. Mr Haley confirmed to me at the hearing that the main advantages of the invention lay in non-technical fields such as systems for and ways of gaming, and that the invention could be implemented on a conventional computer connected to a network.

24 The above considerations lead me to conclude that the invention has its basis in the field of business methods and computer programs. This means that the answer to the first of the questions in the two stage approach set out above is “yes”.

25 I therefore have now to consider whether the invention produces a technical contribution. If I find that there is none, this means that the invention relates to no more than an excluded item as such and is accordingly not patentable under Section 1(2).

26 In the correspondence and in his oral submissions, Mr Haley has emphasised his

position that the claimed invention does indeed make a technical contribution. While he acknowledged that the main advantages of the invention are concerned with the provision of systems for gaming and ways of gaming, he submitted that the contribution made has elements which go beyond the mere implementation in an apparatus of a method which is otherwise unpatentable.

27 As an example, he explained to me with the aid of useful clarifications by the inventor, Mr Michenor, the way in which the invention could be applied in a system of arbitrage trading in foreign currency markets. As currently practised, this type of trading involves making a profit by exploiting the transient variations which arise from time to time in exchange rates, and to be successful in this activity it is necessary to act quickly when an opportunity arises, by closing multiple deals between a series of different currency pairs. In the words of Mr Michenor,

“At present these arbitrage trading systems ... sit above the market and they look down at the exchange, and they look for arbitrage opportunities. The arbitrage opportunities means that they can make many transactions to get one effect, such as in the foreign exchange market.

“Those calculations that they have to do become redundant with our exchange, because our exchange ... actually calculates all of the arbitrage opportunities itself and presents them to everybody in the same way, so it doesn't matter what program they have at different banks looking at the market, they get the best arbitrage price presented to them. Therefore, when they select that price to go from sterling to (say) US dollars, they do not even know whether or not within the exchange it has gone from sterling to deutschmarks, to euros and then over to US dollars. They don't know, they don't care. They have just got US dollars, and they have got them at a better price. The exchange has done all of the matching itself and given them dollars. So in that sense it is something that has never been done before. And we have proved that by talking to the banks and so forth: there is a machine that presents things to them that they have not seen before.”

28 It was explained to me that the present manner of trading involves processing large quantities of data, and there is moreover a risk that the market will have changed before all the necessary transactions can be completed, which could result in the potential profit being lost.

29 In contrast, it was put to me that the tradable “voucher” concept of the invention would, by providing a “distillation” of the information provided to a trader, reduce the need for complex processing and eliminate the risk of currency movements occurring while the transactions are being undertaken. The technical contribution, it was submitted, would then be linked to the reduced use of bandwidth, the reduced need for powerful data processing capacity and the reduced need for complex systems and support.

30 In making this argument, I think Mr Haley must have had in mind the judgment of the Court of Appeal in *Merrill Lynch* (see above) where reference was made to *Vicom/Computer-related invention* [1987] 1 OJEP 14 (T208/84) in which the technical advance was an increase in processing speed.

31 However *Vicom* was settled on the basis that the process involved was itself a technical one (the processing of images). In cases where the field of the invention is non-technical, the existence of an advantage such as an increase in processing speed is not in itself conclusive of the presence of a technical contribution. Any computer program or system implemented on a computer will have its own particular requirements and demands on physical resources which will vary from situation to situation. The mere fact that one (unpatentable) method can be implemented on a computer more efficiently than another does not in itself impart a technical contribution.

32 It is nevertheless possible for a technical contribution to be present in cases such as this, if “technical considerations” are involved in the invention. In the case of *SOHEI/General-purpose management system* [1996] EPOR 253 (T769/92), which concerned the computer implementation of a method considered to be unpatentable as such, the EPO Technical Board of Appeal stated in section 3.3 of their decision that

“The very need for ... technical considerations implies the occurrence of an (at least implicit) technical problem to be solved ... and (at least implicit) technical features ... solving that technical problem”

33 The Board also clarified in section 3.7 that

“Insofar as the implementation of a method by computer programs would imply that these programs must be provided by programming, it is noted that programming may be implied also in the subject-matter as presently claimed. Mere programming as such would, in the board's view, also be excluded from patentability by virtue of the fact that it is an activity, which essentially involves mental acts excluded and, in addition, only results in computer programs which are also excluded from patentability ...”

34 In *Gale*, Nicholls LJ said at pages 327 and 328:

"The attraction of Mr. Gale's case lies in the simple approach that ... he has found an improved means of carrying out an everyday function of computers. ... A computer ... will be a better computer when programmed with Mr Gale's instructions. ... But the instructions do not embody a technical process which exists outside the computer. *Nor, as I understand the case as presented to us, do the instructions solve a "technical" problem lying within the computer ...*" [emphasis added].

35 Applying these principles to the present application, I can find nothing in the papers or in the submissions of Mr Haley to suggest that technical considerations beyond the skill of the “mere” computer programmer are involved, or that a technical problem within the computer has been solved. On the contrary, the purported advantages of the invention are wholly consequent upon the implementation of the business method taught in the application.

36 The above leads me to the conclusion that the problem addressed by the invention lies in the field of business methods, and that the contribution made by the invention is the

provision of an improved business method. Any advances in terms of improvements in use of bandwidth or other resources as alluded to by Mr Haley do not therefore amount to a technical contribution.

37 I also note that the example quoted by Mr Haley is just one possible embodiment of the invention, and moreover one which is not described in any detail in the specification. There is toward the end of the description a reference to a possible use of the invention with reference to future movements of stock market indices, but no specific reference to currency trading. The main examples given in the description in fact concern betting on the outcomes of events such as elections and football matches, and it is not at all clear to me how the alleged technical advantages put to me by Mr Haley would apply in such examples.

38 I should say, however that while the above considerations tend to support my conclusion concerning the non-technical nature of the contribution made by the invention, I would have not have come to a different view on the basis of the arguments and facts put to me, even had the only embodiment described been that of arbitrage trading.

The alternative form of claims

39 As mentioned above, shortly before the hearing, I was presented with an alternative set of claims the wording of which is substantially the same as the claims filed on 24 December 2003 except that they are directed to “an apparatus for playing a game based around a transaction system” comprising a transaction system including the same integers as the earlier set of claims. In accordance with Mr Haley’s request, I shall now consider the allowability of these claims.

40 Mr Haley put forward an argument based on the practice of the Patent Office to grant patents for games in accordance with Official Ruling 1926(A) which is recited in the appendix to 43 RPC. Although this practice was originally applied under the Patents Acts of 1907 and 1919, a similar approach is still followed to this day whereby a claim can be allowed if directed to apparatus for playing a game comprising one or more playing pieces and a board marked in a particular manner substantially as shown in the drawings, the piece(s) being movable in accordance with specified rules.

41 The precise wording of the relevant part of Official Ruling 1926(A) reads as follows:

“It may be stated generally, that where the claim made in cases such as this is to apparatus for playing a game, comprising one or more playing pieces and a board marked in a particular manner substantially as shown in drawings accompanying the Specification, the playing piece or pieces being moved in accordance with directions furnished in the Specification as to the manner in which the game is to be played, the requirements involved by the definition of an “invention” contained in Section 93 of the Acts will be held to be complied with, and the application will be subject only to such objection as may arise under Section 7 or otherwise in the normal procedure of examination.”

42 The essence of Mr Haley's argument was that if the exclusion from patentability of a game is not construed as extending to inventions relating to apparatus for playing a game characterised by no more than a set of rules, conventional playing pieces and the presentation of information on a board, then by analogy, neither should the present claim be excluded insofar as it relates to apparatus for playing a game characterised by what is essentially a set of rules and a suitably programmed computer.

43 Ingenious as this argument is, I find myself unable to accept it for three reasons.

44 In the first place, Official Ruling 1926(A) is very narrowly cast, and if I were minded to do as Mr Haley suggests I would have to interpret the reference to a board and playing pieces as extending to a computer or similar programmable apparatus, and the very specific references to the rules of a game and board markings as extending to computer software written to implement the transaction system of the application.

45 Secondly, there is the formidable authority of the precedents cited above which discuss the importance of technical contribution for any invention relating to subject-matter in an excluded field. Although Official Ruling 1926(A) remains the basis of Office practice under the 1977 Act in the field of patents for games, as far as I can tell it has not been tested in the courts, and I can find nothing which might lead me to the conclusion that in the consideration of patentability, inventions in the field of games should not be subject to exactly the same requirement for technical contribution as are inventions relating to the other categories of excluded matter mentioned in section 1(2) of the Act.

46 Thirdly, it is clear from *Merrill Lynch* and *Gale*, that basically unpatentable matter cannot be made patentable by dressing it up in a different form of claim. Given that I have already found above that the applicant's claim to a system is not allowable, it would be extremely difficult for me to come to a different conclusion in respect of a claim presented as a game but comprising the same essential elements.

Possible avenues for amendment

47 The subordinate claims in both alternative sets of claims relate to details about how the transaction system operates. The further features specified are all essentially in the form of means to carry out transactions which are non-technical in nature, and I can find no basis to conclude that any technical contribution is present in any of the claims or combination of claims. Nor do I find any likelihood that the description would be able to support a valid claim incorporating a technical contribution.

48 I therefore see no realistic way in which the application could be amended to render it allowable.

Conclusion

49 I have found that the invention as claimed in all claims of this application fails to provide any technical contribution and that it is therefore excluded from patentability

as a method for doing business under section 1(2) of the Act. Moreover, insofar as the invention can be implemented on a computer or other programmable apparatus, it is excluded as a program for a computer, and insofar as the alternative claims offered relate to a game, they are excluded as relating to a method for playing a game.

50 Since I find there is no prospect of any amendment which would result in an allowable claim, I accordingly refuse the application under section 18(3).

Appeal

51 Any appeal against this decision must be filed within 28 days.

A C HOWARD

Deputy Director acting for the Comptroller